Supreme Court, U.S.
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No. 93-1610

IN THE
Supreme Court of the United States
OCTOBER TERM, 1993

COLLINS LICENSING, L.P.,
Petitioner,
v.
AT&T CORP.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether this Court should review the Federal Circuit's determination, in an unpublished and non-precedential opinion, that, on the record before it, a jury's finding of non-obviousness was not supported by substantial evidence.

STATEMENT REQUIRED BY RULE 29.1

AT&T Corporation ("AT&T"), formerly American Telephone and Telegraph Company, has no parent companies. AT&T owns an equity interest in the following publicly traded companies:

Compagnie Industriali Riunite, S.p.A. (Italy); and
AT&T Capital Corporation.

AT&T owns an equity interest in the following non-publicly traded companies, which have public debt outstanding:

AT&T Credit Corporation; and
AT&T Global Information Solutions, formerly NCR.

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RESPONDENT'S BRIEF IN OPPOSITION

REASONS FOR DENYING THE PETITION

This case raises none of the questions that the petition purports to present. Nowhere in its unpublished, non-precedential *per curiam* opinion did the Federal Circuit suggest, let alone hold, that obviousness is a question of law subject to *de novo* review on appeal. Rather, the Federal Circuit reviewed the jury's verdict under the substantial evidence standard that petitioner urges. Nor is there any basis to petitioner's claims that the Federal Circuit "ignored" findings that the Patent and Trademark Office (PTO) rendered in a narrowly circumscribed, *ex parte* reexamination proceeding, or that the lower court impermissibly rendered a decision on an issue not raised on appeal. In truth, petitioner's various attacks on the decision below are nothing more than re-formulations of a single complaint—namely, that, on the facts of this

case, the Federal Circuit erred in concluding that the jury's finding of validity lacked substantial evidence. That complaint does not raise any question requiring review in this Court, and is in all events mistaken.

1. The bulk of the petition is devoted to quarreling with the proposition—nowhere announced in the decision below—that obviousness is a question of law to be determined *de novo* by the Federal Circuit on appeal. Pet. at 7-17. According to petitioner, the Federal Circuit "has made a firm decision to treat the issue [of obviousness] as a matter of law" (*id.* at 9), and has established itself "as the primary decisionmaker on the question of obviousness, subordinating both the trier of fact and the Patent Office to minor supporting roles." *Id.* at 8.

In the unpublished decision under review, however, the Federal Circuit said no such things. To the contrary, the court explicitly "recognize[d] the *great* deference due to jury verdicts." Pet. App. 5a (emphasis added). It concluded, however, that, "[o]n *this* record, substantial evidence [did] not support" the jury's determination that the patent at issue was not obvious in light of the prior art. *Id.* at 6a (emphasis added). The lower court thus made a narrow, case-specific factual finding based on the record before it.

The petition makes a tortured effort to wrest a broad legal principle from this routine decision. In particular, petitioner claims that the Federal Circuit necessarily embraced, *sub silentio*, a *de novo* standard of review flatly at odds with the standard it said it was applying. This is a remarkable suggestion of judicial bad faith which depends entirely on petitioner's contention that the court "clearly did not defer to the fact-finder." Pet. at 10 n.6. This contention, however, is merely an assertion that the Federal Circuit misapplied the substantial evidence test. See *id.* at 6 ("the court failed to come to grips with the trial evidence, which demonstrated that its interpretation of the prior art was incorrect"). As petitioner tacitly concedes, the entirely fact-bound question whether the Federal Circuit properly assessed the sufficiency of the evi-

dence underlying the jury's verdict in this case is manifestly not worthy of review in this Court. Moreover, because a determination either that the lower court applied the substantial evidence test correctly or that it applied it incorrectly would be fully dispositive of the case, the broad legal issue petitioner asks this Court to decide simply does not arise.[1]

In any event, petitioner's claim that the lower court engaged in *de novo* review is simply wrong. That the Federal Circuit understood and properly applied the substantial evidence standard is demonstrated by its decision to *uphold* the jury's verdict of non-infringement after finding that "substantial evidence supports the jury's verdict." Pet. App. 7a. Applying that same test to the jury's validity verdict, the court canvassed the entire record (see *id.* at 4a-5a), which included all three invalidating prior art references, testimony from the author of two of those references, and testimony from another witness concerning the third. Because several digital switch designs existed prior to the patent in suit, petitioner identified as central to the invention the "modularization of the time and space switch elements, associating *individual control stores with each element*." *Id.* at 4a (emphasis in original). In order to find the patent valid, therefore, "the jury would have had to find that the prior art does not show individual control of a time module or space module." *Id.* at 5a-6a. Yet, as the court explained in considerable detail below, the record before the jury demonstrated that the prior art unmistakably disclosed these very elements. *Id.* at 4a-5a.

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[1] Petitioner also seeks to derive the broad legal principle it wishes to challenge from the lower court's passing citation to *Newell Cos. v. Kenney Manufacturing Co.*, 864 F.2d 757 (Fed. Cir. 1988), *cert. denied*, 493 U.S. 814 (1989). *See* Pet. at 10 n.6. This Court, however, *declined* to review the *Newell* decision. The lower court's sole citation of the case neither enhances the legal significance of *Newell* itself, nor transforms the routine factual holding in this case into a decision worthy of review.

In short, the Federal Circuit did not re-weigh the evidence or conclude that, on balance, its view of the facts was superior to the jury's otherwise plausible interpretation. Rather, the court found that, on the record before it, the jury's determination that the patent was not obvious was "clearly and unquestionably not supported by substantial evidence." *Id.* at 6a.[2] That determination was correct as a matter of fact, sound as a matter of law, and raises no question worthy of this Court's attention.[3]

2. Petitioner further contends that the Federal Circuit should be *required* to uphold a jury finding of valid-

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[2] Petitioner's recitation of favorable testimony it proffered at trial does not render the Federal Circuit's determination incorrect. The test is whether the jury's verdict is supported by *substantial*, not merely some, evidence. *See Steadman* v. *SEC*, 450 U.S. 91, 98 n.16 (1981) ("substantial" means a considerable amount of evidence).

[3] It is worth noting that, even if the Federal Circuit had deemed obviousness to be a question of law, that holding would have been fully consistent with this Court's statement in *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966), that "the ultimate question of patent validity is one of law." Although petitioner struggles at length to prove that the Court did not mean what it said (Pet. at 10-14), every court of appeals that addressed the question before the Federal Circuit was created also read *Graham* as holding that obviousness is a question of law predicated on underlying facts. *See Sarkisian* v. *Winn-Proof Corp.*, 688 F.2d 647, 651 (9th Cir. 1982), *cert. denied*, 460 U.S. 1052 (1983); *Julie Research Labs., Inc.* v. *Guideline Instr., Inc.*, 501 F.2d 1131, 1135-36 (2d Cir. 1974); *Flour City Architectural Metals* v. *Alpana Aluminum Prods., Inc.*, 454 F.2d 98, 105-06 (8th Cir. 1972); *Kolene Corp.* v. *Motor City Metal Treating, Inc.*, 440 F.2d 77, 81 (6th Cir.), *cert. denied*, 404 U.S. 886 (1971); *Swofford* v. *B & W, Inc.*, 395 F.2d 362, 367 (5th Cir.), *cert. denied*, 393 U.S. 935 (1968). In addition, while petitioner cites the *per curiam* decision in *Dennison Manufacturing Co.* v. *Panduit Corp.*, 475 U.S. 809 (1986), as evidence that the question remains an open one (Pet. at 9), this Court declined to review the Federal Circuit's express affirmation on remand that obviousness is a question of law. *Panduit Corp.* v. *Dennison Mfg. Co.*, 810 F.2d 1561, 1566-68 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987). This case, in which the issue was never even discussed, is an altogether inappropriate vehicle for this Court to address the issue.

ity whenever the PTO finds a patent valid in a reexamination proceeding. Pet. at 17-21. This supposed ground for review in this Court, which is based on a mischaracterization of both the reexamination procedure and the decision below, is simply another way of arguing that the lower court misapplied the substantial evidence standard. At bottom, petitioner contends that a reexamination finding is, *per se*, substantial evidence of validity. See *id.* at 18. Petitioner, however, cites no law in support of this novel and fundamentally mistaken proposition.

To begin with, it is simply not true that the Federal Circuit "ignored" the PTO's decisions. *Id.* To the contrary, the court explained that it was "not unmindful" of the PTO's actions on reexamination. Pet. App. 5a. The court properly recognized, however, that it had a far more voluminous evidentiary record before it than the PTO had during reexamination, and that it was thus inappropriate to "merely conform to or review exclusively the examiner's actions." *Id.*

Unable to dispute this reasoning, petitioner suggests that a PTO finding of validity following reexamination should itself be deemed substantial evidence supporting a jury verdict because reexamination "comes very close . . . to constituting a litigated administrative determination on the validity issue." Pet. at 19. This suggestion in flatly wrong. As the court below explained, an alleged infringer can do no more than initiate reexamination and file a single reply to the patent-holder's initial statement concerning the request for reexamination. See Pet. App. 5a; 35 U.S.C. §§ 304, 305; 37 C.F.R. §§ 1.510, 1.535 (1993). Thereafter, the proceeding is an entirely *ex parte* one in which the patent-holder may submit briefs or other argument in response to an examiner's actions and may personally interview the examiner and challenge his or her preliminary conclusions without any further participation by the requester. 37 C.F.R. §§ 1.550(b)&(e),

1.560 (1993).[4] Petitioner took full advantage of these opportunities. Moreover, the PTO may consider only a restricted category of evidence during reexamination. *Id.* § 1.552(a) (1993).

Thus, the court below considered the reexamination record and findings in conjunction with a trial court record that "include[d] live testimony and cross-examination, *none of which was before the examiner.*" Pet. App. 5a (emphasis added). In these circumstances, there is simply no basis for petitioner's contention that the court of appeals was *required* to defer to an *ex parte* decision rendered on a truncated record.[5] Based on the far more complete record before it, the Federal Circuit properly concluded that the patent was invalid because it was obvious. That determination in no way "erode[s] the benefits" of reexamination (Pet. at 20),[6] and raises no issue requiring review in this Court.

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[4] In attempting to suggest otherwise, petitioner cites none of the governing statutory or regulatory provisions and instead relies on now-Chief Judge Nies' concurring opinion in *In re Etter*, 756 F.2d 852, 862 (Fed. Cir.), *cert. denied*, 474 U.S. 828 (1985). *See* Pet. at 19-20. Petitioner neglects to mention, however, that Chief Judge Nies was on the panel below and saw no inconsistency between her earlier concurrence (which concerned whether or not the *PTO* should apply a presumption of validity on reexamination) and the decision at issue here. Moreover, in her concurrence, Chief Judge Nies did not contend, as petitioner does, that PTO findings on reexamination constitute substantial evidence in support of a jury finding of validity.

[5] Indeed, under the Administrative Procedures Act, an agency decision following a fully adversarial hearing can be upheld only if it is supported by substantial evidence. *Camp* v. *Pitts*, 411 U.S. 138, 140-41 (1973). Here, petitioner attempts to turn the principle on its head by arguing that an agency decision rendered in a circumscribed and non-adversarial proceeding *is* substantial evidence to which an appeals court must defer.

[6] Contrary to petitioner's assertion, reexamination is not intended to establish a patent's validity once and for all. "[T]he intent underlying reexamination is to 'start over' in the PTO . . . and to *re*-examine the claims . . . as they would have been considered if

3. Petitioner's remaining contention—that the decision below warrants an exercise of this Court's extraordinary supervisory power—is frivolous. First, it is not true that the Federal Circuit decided an issue that was not raised on appeal or in respondent's post-trial motion for judgment as a matter of law. Respondent's post-trial motion states that "Mr. Mack testified that his 1972 article . . . and report . . . anticipated *and rendered obvious* these patent claims." Motion at 8 (emphasis added). The motion includes extensive arguments for invalidity based on Mack's testimony. On appeal, respondent reiterated these arguments. Brief on Appeal at 6, 28.

Nor is it true that the Federal Circuit "faile[d] to follow the rule of law." Pet. at 23. As noted above, the lower court correctly stated and applied the substantial evidence test. See *supra* at p. 3. It likewise appropriately reviewed the factual underpinnings for obviousness set forth by this Court in *Graham*. Thus, by reviewing the three critical prior art references and the testimony surrounding them (see Pet. App. 2a-5a), the lower court determined "the scope and content of the prior art" and the "differences between th[at] art and the claims at issue." *Graham* v. *John Deere Co.*, 383 U.S. 1, 17 (1966). It further ascertained "the level of ordinary skill in the . . . art" (*id.*), by concluding that "[t]he prior art references thus expressly teach one of skill in the art to employ uniform, interconnectible switch components." Pet. App. 5a.

In contending otherwise, petitioner relies on a series of statements, many taken out of context, that have nothing whatever to do with this case. In fact, one of the state-

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they had been *originally examined* in light of all of the prior art of record." *In re Etter*, 756 F.2d at 857 (second emphasis added). A patent is thus no more definitively valid following reexamination than it is after its initial examination and issuance. Even petitioner does not contend that the PTO's mere issuance of a patent should be deemed substantial evidence of its validity, yet that is the logical import of its argument here.

ments upon which petitioner relies is a criticism leveled by one of the members of the panel below, Judge Cohn. See Pet. at 23 & n.17. Petitioner thus asks this Court to believe that Judge Cohn has now joined in a practice he once condemned. This vividly demonstrates that these generalized criticisms of the Federal Circuit's decisions in *other* cases simply do not provide a basis for exercising supervisory review over the routine factual determination rendered in this case.

CONCLUSION

For the foregoing reasons, the petition should be denied.

Respectfully submitted,

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